



# Insights

## Comparisons of the Economic Injury Disaster Loan (EIDL) and the Paycheck Protection Program (PPP)

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**[UPDATED APRIL 17, 2020]** On March 27, 2020, President Trump signed the Coronavirus Aid, Relief, and Economic Security Act (the “Act”) which provides significant economic benefits to small businesses. Two of the most economically beneficial programs available to small businesses are the Economic Injury Disaster Loan (“EIDL”) and the expansion of loans under Section 7(a) to provide for the Paycheck Protection Program (“PPP”). Below is a comparison of these two programs.

Consideration	Economic Injury Disaster Loan	Paycheck Protection
Where do I apply?	Through the SBA at <a href="https://www.sba.gov/disaster">sba.gov/disaster</a>	Through an existing program can be found. It is recommended to check with your lender whether they are participating.
How long does the program last?	Until December 31, 2020, but all funds are gone until Congress appropriates additional funding.	Until June 30, 2020, but Congress appropriates additional funding.



<b>When can an applicant apply?</b>	Now.	Now for small businesses. April 10 <sup>th</sup> for independent contractors and self-employed individuals. All other regulated lenders must apply as soon as they are able. Program proceeds on a first-come, first-served basis.
<b>Who is eligible?</b>	All businesses, cooperatives, nonprofits, ESOPs, sole proprietorships, independent contractors, and tribal business concerns with less than 500 employees.	Same, except veterans' organizations.
<b>What fees are charged?</b>	Fees are waived.	Fees are waived.
<b>What is the maximum size of the loan?</b>	Up to \$2,000,000, although further guidance is expected on the max amount being reduced due to the number of applicants and funds available.	The lesser of (i) \$10,000 or (ii) 2.5% of the applicant's 2019 monthly payroll costs, not to exceed \$10,000, taken out for an EIDL advance in 2020 if the applicant is a small business. Payroll costs are defined as cash payments for employee compensation, including cash tips, payments for sick leave, insurance, and other benefits, or local payroll taxes. This includes compensation that is not included in the calculation of payroll for federal income tax purposes. Non-cash benefits, such as health insurance, are treated as cash payments.
<b>What is the maximum term of the loan?</b>	Up to 30 years	2 years after loan forgiveness
<b>What is the maximum interest rate of the loan?</b>	3.75% for businesses; 2.75% for nonprofits	1.0%



<b>Will the loan be forgiven?</b>	No loan forgiveness, but you may request an emergency advance up to \$10,000 (at \$1,000 per employee up to 10 employees) that is not required to be repaid regardless of whether you qualify for and receive a loan.	Yes. Subject to any the loan will be forgiven expenses that are up are in place as of February rent, or utilities.  The SBA has provided forgiven amount will
<b>Can loan forgiveness be reduced?</b>	Not applicable.	Yes. The forgiveness maintain the same number after you close on the 2019 until June 30, 2020. The period change forgiveness amount amount of wage and or more compared to  Any reductions in the salary that occurred 2020 will not be included amount if the reduction
<b>What can the loan proceeds be used for?</b>	Fixed debts, payroll, accounts payable and other debts that would have been paid but for the disaster occurring.	Payroll costs, health mortgage interest, rent prior to February 15
<b>When is the first loan payment due?</b>	One year after the closing of the loan. Interest accrues during the deferment period.	Six months after the the deferment period
<b>Are personal guaranties or collateral required?</b>	For any loans in excess of \$200,000 personal guaranties are required.  The SBA will also place a UCC lien against the assets of the business.	No.
<b>Do I have to be turned down by other lenders to be eligible under this program?</b>	No.	No.



Krieg DeVault is committed to helping you and your business during these unprecedented times. With your needs in mind, we have established a **COVID-19 Resource Center** to assist you through this process.

If you have any further questions, comments or concerns, please feel free to contact **Robert A. Greising**, **Corben A. Lee** or a member of our **Business, Acquisitions & Securities team**.